EXHIBIT 7
DATE 1-23-07
HB ____

Montana Department of Labor and Industry

Commissioner's Office

Governor Brian Schweitzer
Keith Kelly, Commissioner

PERSONAL SERVICES QUESTIONS – 2007 SESSION

DEPARTMENT OF LABOR AND INDUSTRY

January 2007

1. **Has the agency implemented a broadband pay plan, agency-wide or for selected jobs? If so, when was it implemented and what were the estimated cost increase in the year of implementation? How were these costs funded (by holding vacant positions open, appropriations for other purposes that were unexpended, etc?)**

The Department fully implemented broadband pay on July 1, 2005 with approximately half of the department receiving pay adjustments at that date, with the remainder receiving adjustments on October 1, 2005. The July pay adjustments were the result of union negotiations. The Workforce Services and Unemployment Insurance Divisions pay adjustments were not made until October 2005 due to affordability. The Business Standards Division, attorney positions, Hearings Officers, and Labor Relation Mediators were converted to broadband pay in the 2005 biennium. The cost of conversion was estimated at $2.5 million. The cost was funded by holding positions vacant, operating costs savings, budget amendment authority, and through reorganizing and streamlining department operations.

2. **At what percentage of market are new employees paid? How do employees progress to the market rate for their position? What is the agency's target percent of market? What is the agency average percent of market in FY 2006?**

The department employs a five step to market pay plan. Entry level, or the first step is 80% of the established market. With each following step, the rate of pay increases until step five, which is 95% of the established market. Each new employee and existing employee's education and experience are used to place them into one of the five steps. This accomplishes equitable compensation for comparable qualifications.

New employees are paid one step below their placement for a six-month trail period. The employee is moved up one step upon successful completion of the trial period. Each additional year of experience an employee acquires, as long as their performance is sufficient, advances them one step towards 95% of market. The average percent of market in FY 2006 was 94.14%

3. **Did the agency have vacant positions for a significant portion (6 months or more) of FY 2006? If yes, how many and why were these vacant? How did the vacancies impact agency operations?**

The department had 5.5 positions vacant 6 month or longer in SFY 2006. These positions were left open primarily to meet vacancy savings or in the case of a Pharmacist position, because we were unable to compete with the private sector. The essential duties of the vacant positions were distributed to others in the work unit. In some cases, we were not able to perform duties timely such as pharmacy inspections and meeting contractual obligations to the Bureau of Labor Statistics. At this time all the positions have been filled with the exception of a .5 FTE in Legal Services left vacant to meet vacancy savings, and a Statistician position in the Research and Analysis Bureau which is anticipated to be filled by February 15, 2007.

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4. Did the agency have authorized pay exceptions for pay plan 60 positions? If yes, why?

We did not authorize pay exceptions for pay plan 60 positions in the 2007 biennium as we no longer had positions in pay plan 60. However, we did have one pay exception for broadband pay which addressed a retention issue.

5. Did the agency have authorized position upgrades or downgrades for pay plan 60 positions? If yes, why?

Not in pay plan 60, however, we did have upgrades or reclassifications for broadband positions.

6. What challenges does the agency face in recruiting and retaining staff? What actions has the agency taken to address recruitment and retention issues? Is the agency competing with other state agencies or the public sector for staff?

Under the previous pay plan 60, a newly hired employee would typically be brought in at the entry rate for a grade. Today, the department advertises and offers new hires at 80% to 95% of market for the occupations. By having the ability to compensate new hires based on their qualifications, the department is more competitive in attracting and keeping employees with higher qualifications. Employees who are not placed at 95% of market are able to move to market over time. In the previous pay plan, newer employees would remain at or near the entry rate of the pay grade.

The department competes with other state agencies, other public sector employers, and private sector employers. A market based compensation system is designed to make the department more competitive in the labor market.

7. Are agency staff members represented by collective bargaining units? How many of the agency staff are impacted by collective bargaining unit agreements? What provisions are included in bargaining unit agreements? How often are these agreements negotiated?

The department has approximately 450 bargaining unit members. Following the completion of negotiations in FY 2006 , the department now has extensive compensation contract provisions that include recruitment, retention, and performance components. These agreements are negotiated every two years.

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